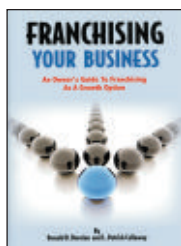


INFORMATION FOR EMERGING COMPANIES

TOOLBOX

BOOKS



Franchising Your Business: An Owner's Guide to Franchising as a Growth Option

By: Donald D. Boroian and L. Patrick Callaway

Any businessperson worth his or her salt will always have an eye toward growing their company, but with the multitude of options for how to do that, choosing the best method can seem overwhelming.

In "Franchising Your Business," authors Boroian and Callaway contend that franchising is one of the more efficient ways of expanding a company. The authors begin by explaining recent changes in the business climate regarding franchises, as well as the core practices that any successful franchised business must employ to be successful.

Most readers with business experience already know what makes a successful, profitable company. Where the book is most useful is when Boroian and Callaway explain the nuts and bolts of putting a franchised company together. Starting with Chapter Six: Determining Your Franchise Structure, the authors cover the logistic, legal and managerial details of setting up a franchise.

The chapter on "Making the Sale" is particularly useful, because it covers strategies for selling franchise locations to potential investors. In this chapter, authors provide a detailed outline for the all-important sales

SEE **TOOLBOX**, PAGE 24A

INSIDE

GOV'T PROCUREMENT	23A
SELLING POINTS	24A
PENNY PINCHER	26A

Dotting all the 'i's

'No shortcuts' is the unwritten rule at apartment complex operator



Mike Kaplan of Kaplan Management Co.: 'We don't cover up or make excuses.'

BY TERESA TALERICO
 SPECIAL TO HOUSTON BUSINESS JOURNAL

Mike Kaplan doesn't believe in shortcuts. Whenever he's taken one — for example, failing to call every reference on an applicant's résumé, or accepting the lowest bid without researching all the contractors — the decision has come back to haunt him.

As a result, an unwritten rule at Kaplan Management Co. Inc., which operates apartment complexes throughout the Southwestern United States, is "no shortcuts." That means taking the time to do things right, whether it's holding weekly conference calls to keep investors in the loop, honoring a 48-hour maintenance guarantee or inviting police to set up shop in a few apartment units to help reduce crime.

"We are always consistent, we are always diligent, we do not take shortcuts," Kaplan says. "I used to take shortcuts early on in my career

because I'd get busy. And every time I did, it bit me. So ... I just started paying more attention to the details and the process and, all of a sudden, my operations started getting more organized, smoother; my employees were happier, my clients were happier."

Sticking to simple, yet time-tested, philosophies has kept Kaplan Management in business — and growing steadily — since 1978. Through the years, the Houston company has been involved in development and commercial real estate. Its bread and butter, however, is third-party management of multifamily residential properties. The company, which is headquartered in Houston, currently manages 22 such properties in Texas, Arizona and New Mexico.

Kaplan says he hopes to as much as triple the company's portfolio — from 6,500 to 20,000 residential units — by next summer. He also plans to expand back into states where the company has previously managed properties, such as Ne-

vada and Florida.

Those strategies were sparked, in part, by the real estate slump and economic recession. However, Kaplan and his team had already been planning to step up that side of the business when financing began drying up for new development.

"We had been talking about expanding our third-party management services for a long time," Kaplan says. "And when we saw the opportunity to do it — because we had more time available — we really started focusing on it.

Today, multifamily management makes up almost all (97 percent) of Kaplan's business. Four or five years ago, it constituted only 60 percent; the rest was devoted to development.

"He's adapted," says Texas Capital Bank Senior Vice President Gary Karter. "He under-

SEE **DOTTING**, PAGE 22A

CRAIG H. HARTLEY/HBJ

STRATEGIES

DOTTING: Longevity and dedicated employees have helped company endure, founder says

FROM PAGE 21A

stands that everything doesn't always stay the same, and you've got to move with the times and change with the times."

Karter says he has known Kaplan since 1974, when he became Karter's banking customer. That same year, Kaplan also began working for The Finger Cos., a well-known company in the apartment-development business.

Kaplan spent the next four years learning the ropes at The Finger Cos. There, he developed skills and business philosophies that would stay with him for years.

"I got terrific exposure from them, the finest training available — a strong, strong work ethic," he says.

He also cultivated enough contacts to start his own company.

"(The first year) was a very profitable year because I was picking up management accounts and I was building a 170-unit condominium project off South Braeswood. ... I almost immediately started generating income and business."

But challenges were imminent. Among them was the financial crunch of the 1980s, when tenants started bailing out of Kaplan's retail properties, which were located from the Carolinas to New Mexico.

Kaplan says he survived thanks to hard work, honesty, accountability and transparency.

"I went into the banks and told them, 'Hey, we're having trouble; I need help,'" he says. "We were able to come up with work-out plans so we could dispose of these troubled assets."

Today, as the economy recovers from the

latest slump — and residential customers begin asking for services managing their commercial assets — Kaplan Management will revisit that market.

"We certainly have the expertise, so we're going to go back into it to service our clients," he says.

Kaplan says longevity and dedicated employees have helped the company weather various economic cycles.

Karter agrees.

"It's their personnel and extensive hands-on ability — Michael and the people he has in the company and their extensive experience," Karter says. "He's been doing this for 35 years or more. They know what they're doing."

Karter says Kaplan has created a workplace that values employees and treats them like family. The CEO has even inspired his workers to adopt one of his favorite habits — writing nearly every detail of their workday in brown, 100-page notebooks embossed with the KMC logo. Kaplan learned this technique at Finger, and he keeps a stash of the notebooks in his office.

"I do that because it says two things, in my opinion, to the employee: that I'm available, that you can walk into my office, (and) that I'm not any more special than anyone else who works here," he says.

Kaplan Management also employs some relatively unorthodox policies — all spun from the same principles of honesty and transparency. For example, the company holds weekly conference calls with investors and partners to keep them informed about business activities.

Kaplan Management also maintains a

**KAPLAN MANAGEMENT CO. INC.**

TYPE OF BUSINESS: Owner, operator and developer of multifamily properties.

YEAR FOUNDED: 1978

TOP EXECUTIVE: Mike Kaplan, CEO

NO. OF EMPLOYEES: 125

REVENUE:

2007: \$23.4 million

2008: \$26.4 million

WEB SITE: www.kapcorp.com

civic commitment in its various communities, whether that means sponsoring a Little League team or hosting a charity event. This spirit of community is one of the company's hallmarks.

"To grow a business, you've got to understand the strengths of your business and you've got to constantly make them better," Kaplan says. "And we don't stop that. We constantly work on being better at what we do."

That includes honoring a maintenance guarantee at all of its apartment complexes. It guarantees that all work orders will be completed within 48 hours.

"It's sort of unheard of in the industry right now," says Matthew Summers, Kaplan's president of management.

More than half of the company's properties are older locations that, in the wrong hands, could easily deteriorate. Kaplan says his team — which includes a corporate office in Phoenix and regional offices in Arkansas and Dallas — has developed a reputation for keeping these properties in tip-top shape.

"A lot of times on these older assets that we get assigned, the previous owner wasn't cutting the grass as often, (or) there were carpentry repairs needed," he says. "It's not that we go make these buildings like new, because that's not what they need; we just properly maintain them and keep them neat and clean and take care of all the life-safety issues and make sure the driveways are clean and the asphalt's repaired."

The company also tries to reduce crime in certain neighborhoods. Kaplan works with police in those areas, even giving them apartment units to use as stations.

"There's a lot of folks who don't make much money who need a safe, habitable, well-maintained environment. We provide it," Kaplan says. "We're very concerned about providing as safe an environment as we can."

Above all, he says, the company is accountable for all of its actions.

"If we screw up, yeah, we're going to make a mistake, but, boy, we're going to go tell you and we're going to go fix it," he says. "We don't cover up or make excuses." ■

TERESA TALERICO is a Houston-based freelance writer.



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